



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

January 26, 2006

Hadeer Shaikhly, M.D.
Windham Radiology Associates, P.C./WRA Realty, LLC
112 Mansfield Avenue
Willimantic, CT 06226

RE: Certificate of Need Determination; **Report Number 05-30483-DTR**
The acquisition of a MRI unit
Certificate of Need Determination; **Report Number 05-30484-DTR**
The acquisition of a used CT scanner

Dear Dr. Shaikhly:

On April 19, 2005, the Office of Health Care Access ("OHCA") received two Certificate of Need ("CON") Determination requests from Windham Radiology Associates, PC and WRA Realty, LLC (together referred to herein as "Applicants") related to the proposed acquisition of a MRI unit (CON Determination request under Report Number 05-30483-DTR) and the proposed acquisition of a CT scanner (CON Determination request under Report Number 05-30484-DTR). Additional information was received on both these matters on December 29, 2005. OHCA makes the following findings regarding both of these matters:

1. Windham Radiology Associates, PC ("WRA, PC") is a private practice radiology group consisting of four Willimantic-based radiologists who provide imaging services for and to Windham Community Memorial Hospital. The four radiologists are:

Krishnan Gopal, M.D.
Robert B. Daly, M.D.
Gregory T. Turner, M.D.
Hadeer Shaikhly, M.D.

2. At the time of the April 19, 2005 CON determination requests, WRA, PC planned to establish a new radiology practice location at C4 Ledgebrook Drive in Mansfield Center and to locate the proposed MRI unit and the CT scanner at that location
3. The proposed scanner is a used 2001 Philips MX 8000 Quad Slice CT scanner.

4. The proposed MRI unit is a used 1999 Picker ProView 0.23T Open MRI unit.
5. The Applicants listed the following estimated capital expenditure for the CT scanner acquisition project:

CT scanner purchase	\$325,000
Renovations	\$ 39,750
Sales Tax	<u>\$ 21,885</u>
Total Capital Expenditure	\$386,635

6. The Applicants listed the following estimated capital expenditure for the MRI acquisition project:

MRI unit purchase	\$250,000
Renovations (includes shielding)	\$109,250
Sales Tax	<u>\$ 21,555</u>
Total Capital Expenditure	\$380,805

7. WRA, P.C. will bill a global fee for all CT scanning services and all MRI services provided.
8. On December 29, 2005, OHCA received responses to OHCA's August 10, 2005 requests for further information. The December 29, 2005 submission was provided in regard to both the MRI unit acquisition proposal and the CT scanner acquisition proposal. The following information was provided within the December 29, 2005 submission:
 - a. WRA Realty, LLC is a limited liability company, founded in August 2004 by the radiologists who practice in WRA, PC.
 - b. WRA, PC advanced start-up funds to WRA Realty, LLC, including the funds for drafting the organization documents and initial operation. WRA Realty, LLC has secured the financing for all the equipment and the build-out of the Mansfield Diagnostic Center ("MDC"). Mansfield Diagnostic Center will be the doing business name of WRA Realty, LLC.
 - c. WRA Realty, LLC is the business entity tied to WRA, PC and WRA Realty, LLC will provide operational management of the MDC.
 - d. WRA, PC will provide the professional reading services, will do all the billing for services provided and will remit all payments to WRA Realty, LLC.
 - e. WRA Realty, LLC owns the imaging equipment and employs the technologists. WRA Realty, LLC leases both of these services back to WRA, PC for use at MDC.
 - f. WRA Realty, LLC pays all operating expenses, including occupancy and supply costs for the MDC.

- g. The site for the project has been changed from the location previously requested in the April 2005 submission to a location in Willimantic. In October, 2005, WRA Realty, LLC signed a long term lease to establish the MDC at 5 Storrs Road in Willimantic. Construction on the space will begin in early, 2006.
- h. Due to the inability of the architect and developer to meet the target budget, the equipment is still being stored until the MDC renovations are completed in 2006.
- i. All professional services and billing will be done through WRA, PC's provider number.
- j. WRA Realty, LLC is the entity that has or will enter into a financial obligation for the project. Pursuant to a February 23, 2005 letter from Fleet Bank to WRA Realty, LLC, WRA Realty, LLC was offered an \$800,000 line of credit with a term loan conversion feature for the CT scanner and the MRI unit.
- k. An Equipment Sale & Installation Contract was executed between Asset Management Associates, LLC and WRA Realty, LLC on June 15, 2005 for the sale of the MRI unit.
- l. A June 15, 2005 invoice to WRA Realty, LLC from Asset Management Associates, LLC for the MRI equipment shows that WRA Realty, LLC made a non-refundable payment of \$17,500 toward the MRI unit on June 15, 2005. A bill of sale dated June 15, 2005 was executed by Asset Management Associates, LLC.
- m. An Equipment Sale & Installation Contract between Asset Management Associates, LLC and WRA Realty, LLC was signed by WRA Realty, LLC on June 15, 2005 for the sale of the CT scanner.
- n. A June 30, 2005 invoice to WRA Realty, LLC from Asset Management Associates, LLC for the CT scanner shows that WRA Realty, LLC made a non-refundable payment of \$62,500 on June 15, 2005 and of \$125,000 on June 30, 2005 toward the CT scanner. A bill of sale dated June 30, 2005 was executed by Asset Management Associates, LLC for the CT scanner.
- o. A clause of the Equipment Sale & Installation Contract is that Site must be equipment ready no later than December 15, 2005 and that Seller shall make arrangements and pay for the storage of the equipment until December 15, 2005. Thereafter, the buyer is responsible for all storage costs.

Based on the facts in these two CON determination requests, OHCA concludes that because both the CT scanner and the MRI unit will be owned by an entity (WRA Realty, LLC) which is legally separate and distinct from the medical professional corporation reading and interpreting the CT and MRI studies (WRA, PC), this represents a central service facility, as defined in Section 19a-630 of the Connecticut General Statutes. Therefore, both projects represent new services by a health care facility or institution and Certificate of Need authorization is required pursuant to Section 19a-638 of the Connecticut General Statutes. One CON application may be submitted for both the MRI and the CT scanning services, pursuant to Section 19a-638. Both WRA Realty, LLC and WRA, PC will be Applicants to the CON application.

In addition, based on the facts presented above, OHCA finds that satisfactory evidence has been provided that the Applicants acquired the CT scanner and MRI unit separately, each for under \$400,000 on or before July 1, 2005. Therefore, the CON that will be filed will be reviewed by OHCA under 19a-638, C.G.S., but not 19a-639, C.G.S., as amended by Public Act 05-93, An Act Concerning the Capital Expenditure Threshold For the Regulation of Equipment Acquisitions.

OHCA considers the submission of information received on December 29, 2005 as the completed Letter of Intent for this matter; therefore, the Applicants may file a CON application with OHCA between February 27, 2006 and April 28, 2006. The CON application forms will be mailed to your attention separately.

Please contact Karen Roberts, Compliance Officer at (860) 418-7041 or Susan Cole, Director, Certification, Financial Analysis and Forecasting at (860) 418-7038 with any questions regarding the Certificate of Need Determination. Please contact Kimberly Martone, Supervisor of the Certificate of Need process at (860) 418-7029 with any questions regarding the filing of the Certificate of Need application.

Sincerely,

Signed by Commissioner Cristine A. Vogel on January 26, 2006

Cristine A. Vogel
Commissioner

CAV:kr

Copy: Rose McLellan License and Applications Supervisor, DPH, DHSR